

**REPORT OF THE AUDIT OF THE
KENTON COUNTY
CLERK**

**For The Year Ended
December 31, 2011**



**ADAM H. EDELEN
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
KENTON COUNTY CLERK

For The Year Ended
December 31, 2011

The Auditor of Public Accounts has completed the Kenton County Clerk's audit for the year ended December 31, 2011. Based upon the audit work performed, the financial statements present fairly in all material respects, the revenues and expenditures of the County Clerk and the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

Financial Condition:

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Kenton County Clerk had total receipts of \$33,627,788, which was a \$2,112,114 increase from the prior year. Except for reimbursed expenses in the amount of \$146,174 and the clerk paid 25% of receipts to the Kenton County Fiscal Court in the amount of \$797,624. This was an increase of \$33,712 from the prior year. In addition, disbursements increased by \$1,988,516.

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities or bonds.

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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Steve Arlinghouse, Kenton County Judge/Executive
Honorable Gabrielle Summe, Kenton County Clerk
Members of the Kenton County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the County Clerk of Kenton County, Kentucky and the statement of revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2011. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2011, in conformity with the regulatory basis of accounting described in Note 1.



The Honorable Steve Arlinghaus, Kenton County Judge/Executive
Honorable Gabrielle Summe, Kenton County Clerk
Members of the Kenton County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated September 7, 2012 on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Kenton County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', with a stylized flourish at the end.

Adam H. Edelen
Auditor of Public Accounts

September 7, 2012

KENTON COUNTY
GABRIELLE SUMME, COUNTY CLERK
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2011

Revenues

State Fees For Services		\$	58,018
Fiscal Court			22,747
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	3,694,203	
Usage Tax		12,532,084	
Tangible Personal Property Tax		12,477,735	
Notary Fees		31,611	
City Fees		85,862	
Other-			
Marriage Licenses		35,695	
Occupational Licenses		5,441	
Beer and Liquor Licenses		36,943	
Deed Transfer Tax		354,477	
Delinquent Taxes		3,093,916	32,347,967
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		82,387	
Real Estate Mortgages		339,309	
Chattel Mortgages and Financing Statements		250,758	
Powers of Attorney		7,453	
All Other Recordings		311,537	
Charges for Other Services-			
Candidate Filing Fees		120	
Copywork		23,271	
Postage		71,480	1,086,315
Other:			
IRS Direct Deposit		4,440	
Miscellaneous		106,220	110,660
Interest Earned			2,081
Total Revenues			33,627,788

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
GABRIELLE SUMME, COUNTY CLERK
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 2,515,037

Usage Tax 12,156,792

Tangible Personal Property Tax 3,879,974

Licenses, Taxes, and Fees-

Marriage License 18,213

Affordable Housing Trust Fund 200,724

Delinquent Tax 304,375

Legal Process Tax 92,662

Other Services/Redeemed Tax Bills 28,084 \$ 19,195,861

Payments to Fiscal Court:

Tangible Personal Property Tax 1,250,395

Delinquent Tax 282,306

Deed Transfer Tax 336,496

Occupational Licenses 3,363 1,872,560

Payments to Other Districts:

Tangible Personal Property Tax 6,828,023

Delinquent Tax 1,549,057

City Fees 78,266 8,455,346

Payments to Sheriff

247,603

Payments to County Attorney

414,716

Other:

Refunds/All Others 103,313

Bad Checks 1,625

Miscellaneous 93 105,031

Total Expenditures

\$ 30,291,117

Net Revenues

3,336,671

Payments to State Treasurer:

75% Operating Fund 2,539,047

25% County Fund 797,624 3,336,671

Balance Due at Completion of Audit

\$ 0

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
 GABRIELLE SUMME, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND
 FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2011

	75% Operating Fund	25% County Fund	Totals
	<hr/>	<hr/>	<hr/>
Fund Balance - January 1, 2011	\$	\$	\$
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	2,539,047		2,539,047
Fees Paid to State - County Funds (25%)		797,624	797,624
	<hr/>	<hr/>	<hr/>
Total Funds Available	2,539,047	797,624	3,336,671
	<hr/>	<hr/>	<hr/>
<u>Expenditures</u>			
Kenton County Fiscal Court		797,624	797,624
Official's Salary	89,694		89,694
Official's Expense Allowance	3,600		3,600
Official's Training Incentive	920		920
Personnel Services-			
Deputies' Salaries	1,307,804		1,307,804
Employee Benefits-			
Employer's Share Social Security	99,647		99,647
Employer's Share Retirement	246,600		246,600
Employer's Paid Health Insurance	292,589		292,589
Contracted Services-			
Computer Services	49,744		49,744
Materials and Supplies-			
Office Supplies	58,708		58,708
Other Charges-			
Postage	21,316		21,316
Parking	14,275		14,275
Telephone	26,279		26,279

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
 GABRIELLE SUMME, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND
 FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures</u> (Continued)			
Other Charges- (Continued)			
Maintenance and Repairs	\$ 6,670	\$	\$ 6,670
Drinking Water	1,393		1,393
Delivery Services	2,908		2,908
Training & Travel	10,605		10,605
Dues	7,130		7,130
Insurance	46,525		46,525
Miscellaneous	443		443
Capital Outlay-			
Office Equipment	13,268		13,268
Total Expenditures	2,300,118	797,624	3,097,742
Fund Balance - December 31, 2011	\$ 238,929	\$	\$ 238,929

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the County Clerk as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2011 services
- Reimbursements for 2011 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2011

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

KENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.93 percent for the first six months and 18.96 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

KENTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011
(Continued)

Note 2. Employee Retirement System (Continued)

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2011, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Grant – Kentucky Department for Libraries and Archives Microfilming Grant

On August 31, 2011, the County Clerk was awarded a local records grant project for the Kentucky Department of Libraries and Archives in the amount of \$43,920 to pay for microfilming for the County Clerk's office. No funds were expended during the year. The balance as of December 31, 2011 was \$43,920.

Note 5. Bankruptcy Account

The office of the former County Clerk maintained a separate bank account for the receipt and disbursement of bankruptcies and mechanic's bonds. The January 1, 2011 balance was \$28,802. These total funds were transferred to the County Clerk's new bankruptcy bank account. Deposits into the new bankruptcy account during 2011 totaled \$55,086, with total disbursements being \$11,470, leaving a balance of \$43,616 as of December 31, 2011.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Steve Arlinghouse, Kenton County Judge/Executive
The Honorable Gabrielle Summe, Kenton County Clerk
Members of the Kenton County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements - regulatory basis of the Kenton County Clerk for the year ended December 31, 2011, and have issued our report thereon dated September 7, 2012. The County Clerk's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Kenton County Clerk's office is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Kenton County Clerk's financial statements for the year ended December 31, 2011, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Kenton County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', with a long horizontal flourish extending to the right.

Adam H. Edelen
Auditor of Public Accounts

September 7, 2012

